

Model Government Health Care Benefit Package and Funding

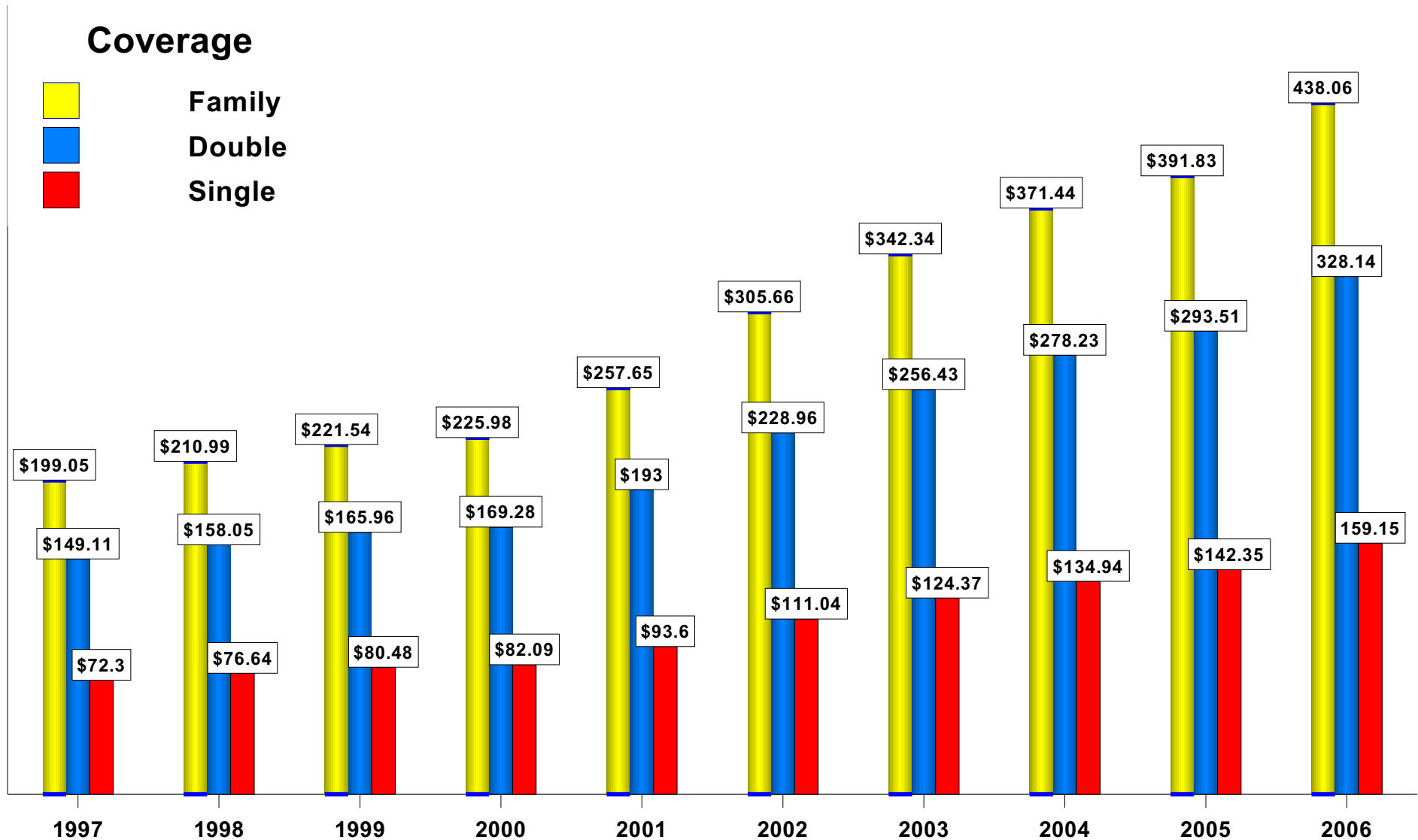
**Retirement and Independent Entities Committee
June 28, 2005**



- **Current Procurement Process**
- **Model Health Care Benefit Package**
- **Funding Issues and Recent Studies**
- **Other States' Experiences**

Total Health Insurance Premium – PEHP Preferred Care

10 Year History – Biweekly Premium by Fiscal Year



Prepared by the Office of Legislative Research and General Counsel, June 2005

Source: Department of Human Resource Management, June 2005

Current Health Care Benefits Procurement Process

School Districts, Higher Education, and Others

Step 3

- Insurance Committee makes final decision/ recommendation to the superintendent, school board, or president (generally based in consultant's recommendations)

Step 2

- Consultant:
 - Develops a health care package
 - Develops an RFP
 - Reviews offers from insurance carriers
 - Presents recommendations to an Insurance Committee
 - Negotiates final package

Step 1

- Hire a consultant (an Insurance Committee may be involved in the selection)

Process is repeated every 1 to 3 years
(typically bid is every 3 years with annual benefits and premium rate adjustments)

Current Health Care Benefits Procurement Process

Same State Tax Dollars – Duplication?

Question:

- **State tax dollars fund health care benefits for:**
 - ▶ **state employees;**
 - ▶ **higher education employees (10 institutions); and**
 - ▶ **school district employees (40 districts)**
- **Does the health care procurement process need to be repeated independently by each of these state funded entities?**
- **Could a new process be developed and implemented that reduces duplication and saves state tax dollars?**

Current Health Care Benefits Procurement Process

**Limited Number of Insurance Carriers
– Expertise Needed?**

Question:

- **Primary Utah Health Insurance Carriers include (8 carriers):**
 - ▶ **Altius Health Plans**
 - ▶ **Educators Mutual Insurance Association (EMIA)**
 - ▶ **IHC Health Plans**
 - ▶ **Public Employees Health Plan (PEHP)**
 - ▶ **Regence Blue Cross/Blue Shield of Utah**
 - ▶ **United HealthCare of Utah**
 - ▶ **Aetna**
 - ▶ **Cigna**

- **What role should consultants play to help state funded entities procure health care?**

Current Health Care Benefits Procurement Process

General Questions

- **What differences are there between state-funded health care benefits plans?**
 - ▶ **How much special designing is needed for “local needs”?**
- **Should a model health care benefit plan and RFP be developed and maintained?**
- **Could one consultant be used to advise public entities on:**
 - ▶ **a statewide model health care benefit plan; and**
 - ▶ **a model RFP?**
- **Could a statewide Insurance Committee:**
 - ▶ **design and maintain the model plan and model RFP; and**
 - ▶ **oversee the consultant?**
- **Could public entities use the models and submit their own RFP’s and continue to select their own insurance carriers?**
- **Could the Division of Purchasing and General Services be used in some way similar to other state contract arrangements to assist in this process?**

Current Health Care Benefits Procurement Process

Consultant Fee Questions

- **How are consultants paid?**
- **What relationships do they have with the insurance carrier and other health care vendors?**
- **Does a financial incentive exist for a consultant to recommend a particular insurance carrier or vendor?**
- **Is full disclosure needed for consultant fees, other compensation, and relationships with insurance carriers and vendors?**

Model Health Care Benefit Package

Key Principles

- **Competitive within the market – comparable to other large in-state employers**
 - ▶ **Attract and retain high quality employees**
- **Designed to encourage active consumer decision making (consumerism)**
 - ▶ **Copays and coinsurance should be set to:**
 - provide incentives for “thoughtful” usage;
 - increase with more expensive services; and
 - balance with premium share amounts
 - ▶ **Premium share amounts should be set to:**
 - provide incentives for “thoughtful” enrollment; and
 - balance with copays and coinsurance amounts
- **See – Draft Model Handout**

Cost of Health Care Benefits

Average of all individuals covered under a state employee policy
Average for 12 months prior to May 1, 2005

\$201.72 Total Cost Per Month Per Covered Person

